Marylebone Partners LLP

Shareholder Engagement Policy incorporating our approach to Responsible Investing and the UK Stewardship Code

July 2021

Marylebone Partners LLP ("Marylebone Partners" or "the Firm") is an independent investment manager, authorised and regulated by the Financial Conduct Authority ("FCA"). Our purpose is to protect and grow the wealth of our clients, who include charities, foundations, family offices, individuals and trusts.

We seek to capitalise on the opportunities that often result from macro uncertainty, technical distortions and the short-termism of others. Our decisions are made by an experienced team, with an exceptional ideas network. Marylebone Partners has achieved its investment targets for its clients across the varied market conditions since our inception in 2013.

Our investment strategy

Our strategy combines direct investments in listed securities with allocations to specialist fund managers. We build an actively managed global portfolio, to deliver a differentiated return stream to our clients.

In practical terms, we apply the same core beliefs and values to both elements of our portfolio (i.e. those that we express via either external managers or direct investments).

With respect to our allocations to external managers, we do not restrict ourselves solely to investing in dedicated environmental, social and governance ("ESG") strategies, but always ask managers their policy and philosophy towards these issues as part of our due diligence in conjunction with our financial analysis. We neither consider it constructive nor pragmatic to be prescriptive, recognising that each manager's policy should reflect their distinctive strategy, values and culture. For example, some managers believe that certain industries are simply 'off-limits', whereas others believe that engagement with companies is the best way of effecting change. We already work with an independent specialist, Enterprise Castle Hall Alternatives Inc, to perform Operational & Legal Due Diligence on external managers, which includes their industry-leading ESG Due Diligence insights.

With respect to our direct investments in public equities, we have integrated the evaluation of ESG considerations into our research process. As long-term fundamental investors with a business-owner mindset, we believe that investment performance and an awareness of ESG issues go hand in hand. This philosophy means we naturally exclude from consideration many of the sectors that would fall foul of ESG concerns. We do not make direct investments where outcomes are predicated on extraneous macro variables (for example, Commodities / Fossil Fuel Producers). We focus exclusively on large capitalisation stocks that can demonstrate top-line growth by serving growing markets, exhibit high levels of profitability and have strong balance sheets. These companies tend to operate in non-contentious industries and practise the highest governance standards. For those companies that do meet our eligibility criteria, we then take into account how they treat employees, manage their supply chain, how they interact with their capital providers, as well as environmental and sustainability issues.

As part of our initial screening of any investment, our analysts, as part of broader due diligence including financial analysis, produce a checklist which includes (but is not limited to) ESG factors. Our starting point is to refer to the MSCI World ESG Screened index. Then - for any companies that are not included or may have been excluded - to apply our subjective judgment with reference to the MSCI ESG Key Issue Hierarchy, before deciding whether to proceed.

Integration of shareholder engagement into our investment strategy and the conduct of dialogues with investee companies

Over time, well-governed companies tend to outperform poorly governed ones. As a result, where we invest directly, we avoid companies that require strategic or operational intervention. Our focus is primarily on capital allocation and capital distribution. As the cost of capital continues to increase for companies that do not follow good social and environmental practices we believe there is a benefit to our clients' performance of investing with an ESG mindset. We believe that ESG issues lie at the heart of good capital allocation.

Engagement with investee companies is recognised as an important part of our investing. As a small investment company typically investing in very large companies, normally, we participate in group meetings with the company management teams but on occasion we are able to meet one-on-one. We also aim to vote all proxies and will vote against management where we consider this to be in the best interests of our clients.

How we monitor investee companies

We continuously monitor investee companies on a range of factors including all aspects of their corporate governance and sustainability taking into account company strategy, financial and non-financial performance and risk, capital structure and management response to matters important to their consumers and customers, such as social and environment issues.

Our ongoing monitoring involves the internal analysis of publicly available data provided by investee companies, regulatory authorities, the news media, research providers and consultants, as well as the input from company meetings and events as described above. The criteria we look at are business quality, reinvestment strategy, financial strength, and valuation risk.

Due to the subjectivity around ESG criteria and the risk of 'greenwashing', a simplistic 'tick the box' approach does not suffice. This is not a pass / fail exercise, it is a screen to identify issues or concerns that should either exclude an investment from consideration at an early stage, or flag an item for further investigation.

These guidelines already apply to funds and mandates we manage and the substantial majority of our direct investments today are components of the MSCI World ESG Screened index. Those that do not feature are excluded from that index on somewhat technical governance grounds (e.g. share-class structure).

Most importantly, we do not believe that adherence to an ESG policy of the sort we have highlighted above should present any opportunity-cost to our clients. We operate within these guidelines, and they should not inhibit our ability to perform against our CPI+ objective. Clearly, the comparative performance of our Equity-centric investments and that of an index with a high non-ESG component may be affected over shorter periods. However, nor do we expect this to make a meaningful difference over the medium term.

How we exercise our voting and other shareholder rights

We aim to vote on all proxies that are presented. We are responsible for voting proxies and taking decisions in connection with proxy voting of our direct equity investments. We work through Institutional Shareholder Services Inc. ("ISS") Proxy Exchange to manage the mechanics of our voting unaffected by their research or recommendations.

We do provide information on our voting activities to our clients on request. Based on the size of each direct holding we do not consider that there are any votes that are considered "significant" as defined in the Shareholder Rights Directive.

Cooperation with other shareholders and communicating with relevant stakeholders

We are willing to engage and collaborate with other investors, where it is permitted by law and regulations, and in the interests of our clients. Where it is appropriate we would be willing to communicate and cooperate with relevant stakeholder groups. Communications typically are not undertaken with stakeholders e.g. company employees, bondholders, trade unions, customers and/or suppliers, but in the event that this was considered appropriate, communication would be undertaken in the same way and with the same controls as if we were talking to the company itself.

How we manage actual and potential conflicts of interest in relation to our engagement

We take our duty to place the interests of our clients before our own seriously and maintain policies designed to avoid or manage conflicts of interests. Our personal account dealing policy places a strict prohibition on our staff and their related persons from trading in the securities of our investee companies or of companies contemplated for our client accounts and/or any security that is on our restricted list, in the unlikely event that we have been made an 'insider'. More generally, no personal trades in securities may be undertaken where a conflict of interest arises.

It is our policy that our staff may not engage in any external business activities or associations unless these are not inconsistent with the interests of our clients. We do not permit our staff to hold any executive position with an investee company.

Additionally, our staff may not accept from any person any benefit or inducement which might be seen as conflicting with their duties to the Firm or to any of our clients. We permit minor non-monetary benefits such as conferences/seminars/training events relevant to our investment business, and hospitality of a de-minimis value. Business entertainment and gifts are similarly subject to strict restrictions on value and frequency. All instances of gifts (either given or received) to third parties, if not de-minimis, must be reported, as must all instances of third-party business entertainment.

Our approach to the UK Stewardship Code

Marylebone Partners is required to disclose of the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where it does not commit to the Code, its alternative investment strategy pursuant to FCA rules.

The Code is a voluntary code and sets out a number of principles relating to engagement by investors with listed UK equity issuers.

As described above, Marylebone Partners pursues an investment strategy that involves it investing in a variety of global equities and funds managed by external fund managers. For investment decisions relating to investments in global equities, Marylebone Partners will rely upon publicly available data and engagement with company management as described above. UK listed equities are likely to constitute only a portion of the portfolio and therefore the Code will only be directly relevant to limited aspects of the Firm's trading. As a result, the Firm has chosen not to commit to the Code.